

110TH CONGRESS
1ST SESSION

H. R. 2893

To amend the Internal Revenue Code of 1986 to provide that qualified homeowner downpayment assistance is a charitable purpose, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

JUNE 27, 2007

Mr. WELDON of Florida introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to provide that qualified homeowner downpayment assistance is a charitable purpose, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Homeownership Af-
5 fordability Act of 2007”.

6 **SEC. 2. QUALIFIED HOMEOWNER DOWNPAYMENT ASSIST-**
7 **ANCE.**

8 (a) IN GENERAL.—Section 501 of the Internal Rev-
9 enue Code of 1986 (relating to exemption of tax on cor-

1 porations, certain trusts, etc.) is amended by redesign-
 2 nating subsection (r) as subsection (s) and by inserting
 3 after subsection (q) the following new subsection:

4 “(r) QUALIFIED HOMEOWNER DOWNPAYMENT AS-
 5 SISTANCE.—

6 “(1) IN GENERAL.—For purposes of subsection
 7 (c)(3) and sections 170(c)(2), 2055(a)(2), and
 8 2522(a)(2), the term ‘charitable purposes’ includes
 9 the provision of qualified homeowner downpayment
 10 assistance.

11 “(2) QUALIFIED HOMEOWNER DOWNPAYMENT
 12 ASSISTANCE.—For purposes of this subsection, the
 13 term ‘qualified homeowner downpayment assistance’
 14 means a gift of cash for the purpose of providing
 15 any downpayment for the acquisition of any property
 16 as a principal residence (within the meaning of sec-
 17 tion 121) for a qualified taxpayer if—

18 “(A) with respect to such property, such
 19 gift does not exceed 20 percent of 110 percent
 20 of the maximum principal obligation allowable,
 21 and

22 “(B) the purchase price of such property
 23 does not exceed 110 percent of the maximum
 24 principal obligation allowable.

1 “(3) MAXIMUM PRINCIPAL OBLIGATION ALLOW-
 2 ABLE.—The maximum principal obligation allowable
 3 with respect to any property is the maximum prin-
 4 cipal obligation allowable for the area in which such
 5 property is located, determined under section
 6 203(b)(2)(A) of the National Housing Act, for a
 7 loan insured pursuant to such section 203.

8 “(4) QUALIFIED TAXPAYER.—For purposes of
 9 paragraph (2), the term ‘qualified taxpayer’ means
 10 a taxpayer whose modified adjusted gross income for
 11 the taxable year in which the downpayment assist-
 12 ance is received does not exceed \$110,000 (\$220,000
 13 in the case of a joint return). For purposes of the
 14 preceding sentence, the term ‘modified adjusted
 15 gross income’ means adjusted gross income in-
 16 creased by any amount excluded from gross income
 17 under section 911, 931, or 933.”.

18 (b) NO CHARITABLE DEDUCTION FOR CONTRIBU-
 19 TIONS FOR DOWNPAYMENT ASSISTANCE.—Subsection (f)
 20 of section 170 of the Internal Revenue Code of 1986 (re-
 21 lating to disallowance of deduction in certain cases and
 22 special rules) is amended by adding at the end the fol-
 23 lowing new paragraph:

24 “(19) DENIAL OF DEDUCTION OF CONTRIBU-
 25 TIONS FOR DOWNPAYMENT ASSISTANCE.—No deduc-

tion shall be allowed under this section for a contribution to an organization which provides homeowner downpayment assistance if the contribution is made directly or indirectly in connection with a transaction in which the purchaser of a home received downpayment assistance and the contributor—

“(A) received the downpayment assistance,

“(B) sold the home to the purchaser,

“(C) loaned money to the purchaser, or

“(D) otherwise received a commission or other benefit associated with the transaction.”.

(c) EXCLUSION FROM TAXABLE GIFTS.—

(1) IN GENERAL.—Paragraph (2) of section 2503(e) of such Code (relating to exclusion for certain transfers for educational expenses or medical expenses) is amended by striking “or” at the end of subparagraph (A), by striking the period at the end of subparagraph (B) and inserting “, or”, and by inserting after subparagraph (B) the following new subparagraph:

“(C) if such payment is qualified homeowner downpayment assistance (as defined in section 501(r)(2)) paid to a lender or the seller

1 of the property on behalf of a donee who is re-
2 lated to the donor.”.

3 (2) RELATIONSHIP TEST.—Paragraph (2) of
4 section 2503(e) of such Code is amended by adding
5 at the end the following flush sentence:

6 “For purposes of subparagraph (C), a donee is re-
7 lated to a donor if the donee bears a relationship to
8 the donor described in section 529(e)(2) (other than
9 subparagraph (D) thereof).”.

10 (3) CONFORMING AMENDMENT.—The heading
11 for section 2503(e) of such Code is amended by
12 striking “EDUCATIONAL EXPENSES OR MEDICAL
13 EXPENSES” and inserting “EDUCATIONAL EX-
14 PENSES, MEDICAL EXPENSES, OR DOWNPAYMENT
15 ASSISTANCE”.

16 (d) EFFECTIVE DATE.—The amendments made by
17 this section shall apply to taxable years ending after the
18 date of the enactment of this Act.

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